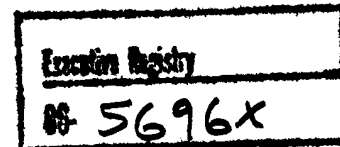


CONFIDENTIAL NOFORN

Talking PointsGorbachev's Program Gains Momentum

By the time the 27th Soviet Party Congress met in March 1986, Gorbachev had already moved with unprecedented speed to reshape the senior leadership, but his ability to translate personnel changes into action on his domestic agenda for change remained uncertain. Since then, his ambitious program for "restructuring" the Soviet system has gained demonstrable momentum in Politburo decisions and government legislation. He clearly has run into more resistance than he anticipated, however, and probably will have to further strengthen his political position if the momentum is to be sustained.

Policy Initiative

By any measure, Gorbachev has made a strong showing on a number of policy fronts since the congress. The pace of domestic policy initiatives has picked up noticeably, and the regime has already taken initial steps to implement most of the directives Gorbachev called for at the congress.

- Restructuring the Government. Pursuant to his goal of shifting the bureaucracy's focus away from micro-management to strategic planning and coordination, central coordinating bodies to oversee the energy, construction, "social development," and foreign trade sectors--added to those for agro-industry and machine building announced before the congress--are already in various stages of organization.
- A Broader Debate. His policy of glasnost (openness) and cultural revitalization is being vigorously implemented. Films, books, and plays are now being released that deal explicitly with such sensitive issues as Stalin's crimes, and commentators are openly discussing contemporary problems, such as drug abuse, that were once taboo.
- Ending the Egalitarian Wage Structure. In response to Gorbachev's criticism of the wage-leveling trend of the Brezhnev years, a reform was enacted in August that is designed to widen substantially the disparity in wages between workers who perform well and those who don't.
- Private Enterprise - Soviet Style. Gorbachev's promise to provide greater scope for individual initiative has already brought new legislation sanctioning a limited expansion of business opportunities for individuals and small groups outside the state sector, especially in consumer goods and services. An October decree allows the formation of

DCI
EXEC
REG

C-303AA-15

CONFIDENTIAL NOFORN

profit-sharing cooperatives to collect and sell recycled materials, and a new law passed in November sanctions moonlighting by individuals in a range of activities from cottage industries to medical services.

- A Five-Year Plan for Reform. An ambitious five-year legislative program was announced in August which, if implemented, will address most of the economic and social problem areas Gorbachev has identified; the program includes specific target deadlines designed to keep up the pressure for further action.

This new momentum on the policy front evidently reflects solidified backing for Gorbachev's agenda from the Politburo.

- The public remarks of Yegor Ligachev, who earlier was said to be resisting some of Gorbachev's policies, and a number of recent intelligence reports suggest that the unofficial "second secretary" now is giving strong backing to the main elements of his agenda.

Gorbachev can point to signs of progress on the issue he placed squarely at the center of his agenda--economic performance. Industrial production as a whole is expected to grow faster this year than at any other time since the mid-1970s, and agricultural output seems headed for a recovery from its two-year slump.

- The 1987 investment target, moreover, suggests that he intends to step up the pace of modernization and is not content to rest on the economy's relatively good showing this year.

Gorbachev also has established increased personal control over foreign policy decisionmaking during this period, largely succeeded in putting his own foreign policy team in place, and vigorously pushed policy initiatives that depart from previous Soviet diplomatic practice.

Signs of Resistance

Despite these successes, Gorbachev's own comments, as well as some intelligence reporting, indicate that he has run into more resistance throughout the system than he initially anticipated. His frustration with this resistance has been evident in his increasingly bitter public criticisms of the party and government bureaucracies. The core of Gorbachev's immediate problem is the vast party and government apparatus that has successfully stifled previous efforts to change the system. At the lower levels, Gorbachev has had considerable difficulty in making the regional

CONFIDENTIAL NOFORN

CONFIDENTIAL NOFORN

party organizations responsive to the demands of the center, thanks in part to Brezhnev's lax personnel policies that allowed them to become virtually independent fiefdoms.

- Resistance from the bureaucracy is reflected in the economic reform decrees that have been issued thus far, which have fallen short of the "radical reform" he has called for in his speeches.
- His reforms have encountered resistance from ideological conservatives and footdragging from government bureaucrats worried that the changes he proposes will undermine their traditional privileges and status--and calculating that if they hang on long enough this latest onslaught on their prerogatives will dissipate as similar efforts have in the past.
- Gorbachev's efforts to restrain the growth of defense spending and modify Soviet positions on security issues have not surprisingly caused some reported uneasiness within the military.
- Several reports indicate that a short-term effect of Gorbachev's reforms has been to produce widespread confusion and disarray in the bureaucracy. Many Soviet officials reportedly are finding it difficult to adjust to the pressure from Gorbachev for improved performance while trying to follow vague and often conflicting new instructions.

Such lower-level resistance will become even more significant if Gorbachev's ability to command a consensus at the top is in question. Although Ligachev may not be the problem he was once thought to be, Gorbachev still faces a Politburo made up largely of political independents and a few opponents.

25X1

Looking Ahead

The problems Gorbachev is encountering are an inevitable response to the changes he is attempting to impose on the system. They have not yet stalled his program or diminished his determination to improve the system. He acknowledges that he is facing a long-term task that could take "generations" to complete. But even his Soviet supporters are concerned that he will need to show new gains against his opponents soon if he is to sustain the momentum for change he has generated.

Several developments over the next few months will provide clues to his progress in dealing with the resistance.

- Adherence to published target dates for reform legislation and how closely that legislation reflects Gorbachev's ideas. Those targets have been met so far, and significant delays or the passage of legislation that lacks substance would signal increased resistance.
- Trends in the reform debate. A resurgence of publications by conservative officials, who have been rendered largely silent by the current political atmosphere, would suggest that Gorbachev's reforms are coming under increased attack in the Politburo.
- The momentum of Gorbachev's "glasnost" campaign. A retreat from the decision to deal more openly with sensitive issues would suggest a strengthened position for the conservatives, who believe such openness could undermine the regime's legitimacy, and would be a serious blow to Gorbachev's effort to attack the root problems of the system.
- How vigorously Gorbachev's social policies are implemented. If his anti-alcoholism measures eventually are ignored or significantly scaled back, for example, it could reflect an erosion of his political strength.
- How the 1987 economic plan evolves. Information on investment priorities that should become available soon will tell us whether Gorbachev is in fact diverting from Soviet defense industries the resources we believe will be necessary to achieve his ambitious goals for the modernization of industry.

The Coming Plenum

A near-term test will be the results of the Central Committee plenum due this month. Gorbachev's ability to advance reform-minded

allies--such as candidate Politburo member and Moscow party chief Yel'tsin--will help determine how much progress he can make on the more controversial reform issues.

- The plenum's discussion of personnel management policy, the chief item on the agenda, could be even more significant. If the Central Committee in fact ratifies tougher standards to facilitate turnover in the party and state apparatus, Gorbachev could be handed just the new weapon he needs to step up his assault on the resistance to reform.

CONFIDENTIAL NOFORN

SUBJECT: Gorbachev's Program Gains Momentum

Distribution:

1. DCI
2. DDCI
3. DDI
4. ADDI
5. NIO/USSR
6. D/SOVA
7. DD/SOVA

CONFIDENTIAL NOFORN